

WEST MONONA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 election)		
Robert Skelton	President	2007
Carrie Dickman	Vice President	2007
Denise Johnson	Board Member	2006
Bo Fox	Board Member	2008
Amy Maule	Board Member	2008
Board of Education		
(After September 2006 election)		
Carrie Dickman	President	2007
Bo Fox	Vice President	2008
Robert Skelton	Board Member	2007
Amy Maule	Board Member	2008
Hank Mason	Board Member	2009
School Officials		
James Simmelink	Superintendent	2007
Kathryn Holverson	District Secretary/ Treasurer (Interim)	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District, Onawa, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2008 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West Monona Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Monona Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,638,830 in fiscal 2006 to \$6,083,208 in fiscal 2007, while General Fund expenditures increased from \$5,748,250 in fiscal 2006 to \$5,845,875 in fiscal 2007. The District's General Fund balance increased from a deficit \$84,277 in fiscal 2006 to \$153,056 in fiscal 2007.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$104,700 in fiscal year 2006 to \$150,492 in fiscal year 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Monona Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

West Monona Community School District Annual Financial Report

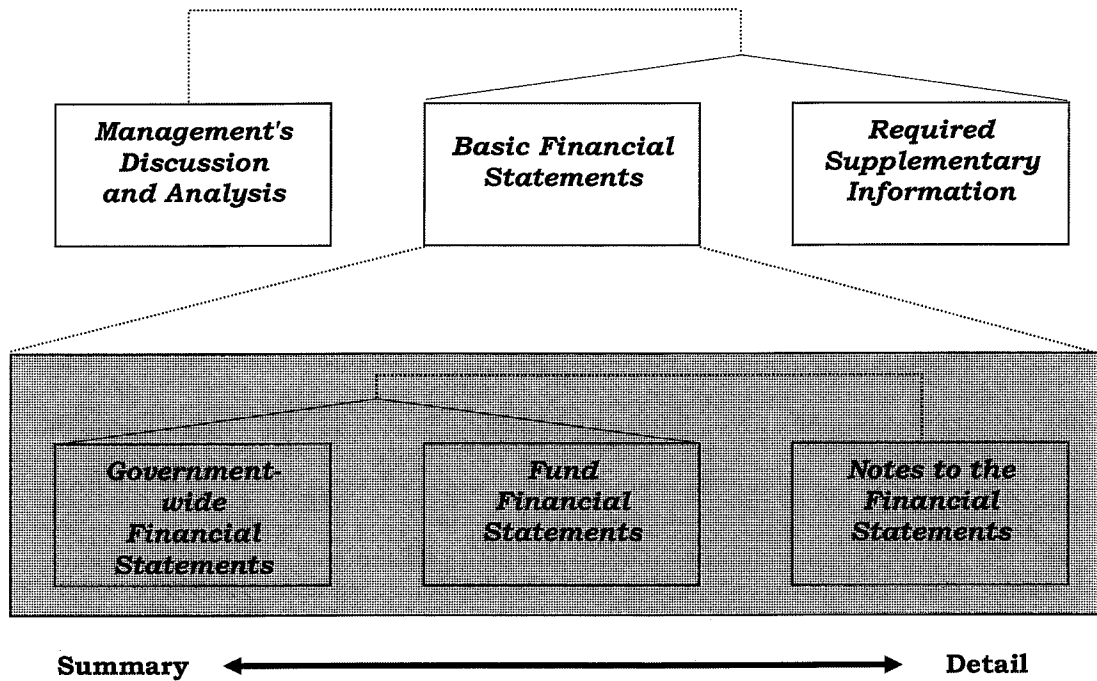


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,165,166	6,101,893	10,802	52,486	7,175,968	6,154,379	16.60%
Capital assets	1,477,027	1,465,609	49,828	28,985	1,526,855	1,494,594	2.16%
Total assets	8,642,193	7,567,502	60,630	81,471	8,702,823	7,648,973	13.78%
Long-term obligations	669,909	825,913	0	0	669,909	825,913	-18.89%
Other liabilities	5,780,819	5,273,233	593	0	5,781,412	5,273,233	9.64%
Total liabilities	6,450,728	6,099,146	593	0	6,451,321	6,099,146	5.77%
Net assets:							
Invested in capital assets, net of related debt	847,027	1,395,616	49,828	28,985	896,855	1,424,601	-37.05%
Restricted	1,214,419	142,161	0	0	1,214,419	142,161	754.26%
Unrestricted	130,019	(69,421)	10,209	52,486	140,228	(16,935)	928.04%
Total net assets	\$ 2,191,465	1,468,356	60,037	81,471	2,251,502	1,549,827	45.27%

The District's combined net assets increased by 47.27%, or \$701,675, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,072,258, or 754.26% over the prior year. The increase was primarily a result of reclassification of the Capital Projects and Debt Service Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$157,163, or 928.04%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 412,193	341,830	109,549	104,817	521,742	446,647	16.81%
Operating grants and contributions and restricted interest	821,685	814,744	151,011	139,483	972,696	954,227	1.94%
General revenues:							
Property tax	2,396,626	2,072,864	0	0	2,396,626	2,072,864	15.62%
Income surtax	113,089	0	0	0	113,089	0	100.00%
Local option sales and services tax	397,958	330,380	0	0	397,958	330,380	20.45%
Unrestricted state grants	2,728,811	2,800,602	0	0	2,728,811	2,800,602	-2.56%
Unrestricted investment earnings	187,437	134,168	6,323	5,262	193,760	139,430	38.97%
Other	26,731	9,061	0	0	26,731	9,061	195.01%
Total revenues	7,084,530	6,503,649	266,883	249,562	7,351,413	6,753,211	8.86%
Program expenses:							
Governmental activities:							
Instructional	4,113,588	3,874,023	0	0	4,113,588	3,874,023	6.18%
Support services	1,869,623	1,984,578	0	0	1,869,623	1,984,578	-5.79%
Non-instructional programs	9,142	10,199	288,317	248,604	297,459	258,803	14.94%
Other expenses	369,068	430,505	0	0	369,068	430,505	-14.27%
Total expenses	6,361,421	6,299,305	288,317	248,604	6,649,738	6,547,909	1.56%
Changes in net assets	723,109	204,344	(21,434)	958	701,675	205,302	241.78%
Beginning net assets	1,468,356	1,264,012	81,471	80,513	1,549,827	1,344,525	15.27%
Ending net assets	\$ 2,191,465	1,468,356	60,037	81,471	2,251,502	1,549,827	45.27%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 79.56% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.63% of the revenue from business type activities.

The District's total revenues were approximately \$7.35 million of which \$7.08 million was for governmental activities and \$.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.86% increase in revenues and a 1.56% increase in expenses. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$7,084,530 and expenses were \$6,361,421.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-07			2006-07
Instruction	\$ 4,113,588	3,874,023	6.18%	3,124,044	2,938,078	6.33%
Support services	1,869,623	1,984,578	-5.79%	1,864,635	1,983,714	-6.00%
Non-instructional programs	9,142	10,199	-10.36%	-4,797	10,199	-147.03%
Other expenses	369,068	430,505	-14.27%	143,661	210,740	-31.83%
Totals	\$ 6,361,421	6,299,305	0.99%	5,127,543	5,142,731	-0.30%

- The cost financed by users of the District's programs was \$412,193.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$821,685.
- The net cost of governmental activities was financed with \$2,396,626 in property tax, \$113,089 in income surtax, \$397,858 in local option sales and services tax, \$2,728,811 in unrestricted state grants, \$187,437 in interest income and \$26,731 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$266,883 and expenses were \$288,317. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Monona Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,306,019, above last year's ending fund balances of \$743,063. The primary reason for the increase in combined fund balances in fiscal 2007 is due to the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and state grants resulted in increased revenues. The increase in revenues was more than the increase in expenditures resulted in the District fund balance increasing by \$237,333.
- The General Fund balance increased from a deficit \$84,277 to \$153,056, due in part to the cost savings cuts in expenditures.
- The Debt Service Fund balance decreased from \$361,677 in fiscal 2006 to \$246,431 in fiscal 2007. Part of the requirement for the revenue bonds was to reserve 10% of the bond issue to make the final payment. The District transfers local option sales and services tax monthly to the Debt Service Fund to repay the revenue bonds. The decrease in the Debt Service Fund was due to the transfer out of the excess amount of local option sales and services tax collected for use in bond repayments.

- The Capital Projects Fund balance increased from \$367,868 in fiscal 2006 to \$660,815 in fiscal 2007. An increase in the revenues and a transfer from the Debt Service Fund for excess collections of local option sales and services tax during the year allowed the Capital Projects Fund to improve.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$81,471 at June 30, 2006 to \$60,037 at June 30, 2007, representing a decrease of 26.31%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$324,587 more than budgeted revenues, a variance of 4.61%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.16% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$170,422.

The original cost of the District's capital assets was \$4,873,227. Governmental funds account for \$4,643,711 with the remainder of \$229,516 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$295,190 at June 30, 2007, compared to \$196,157 reported at June 30, 2006. This increase resulted from the purchase of new kitchen equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 92,549	92,549	0	0	92,549	92,549	0.00%
Construction in progress	0	14,367	0	0	0	14,367	-100.00%
Buildings	1,048,335	1,065,902	0	0	1,048,335	1,065,902	-1.65%
Land improvements	90,781	125,619	0	0	90,781	125,619	-27.73%
Machinery and equipment	245,362	167,172	49,828	28,985	295,190	196,157	50.49%
Total	\$ 1,477,027	1,465,609	49,828	28,985	1,526,855	1,494,594	2.16%

Long-Term Debt

At June 30, 2007, the District had \$669,909 in revenue bonds and other long-term debt outstanding. This represents a decrease of 18.89% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$215,000 at June 30, 2007.

The District had outstanding Revenue Bonds payable of \$415,000 at June 30, 2007.

The District had outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$39,909 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	June 30,		Change
	2007	2006	2006-07
Capital Loan Notes	\$ 215,000	250,000	-14.00%
Revenue Bonds	415,000	540,000	-23.15%
Early Retirement	39,909	35,913	11.13%
Totals	<u>\$ 669,909</u>	<u>825,913</u>	<u>-18.89%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2008. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Taxable property value is expected to continue to decline because of state level policy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Holverson, Interim District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 2,665,601	0	2,665,601
Other	1,585,520	2,516	1,588,036
Receivables:			
Property tax:			
Delinquent	38,564	0	38,564
Succeeding year	2,478,523	0	2,478,523
Income surtax	86,250	0	86,250
Accounts	4,913	0	4,913
Accrued interest - ISCAP(Note 4)	97,862	0	97,862
Due from other governments	207,933	0	207,933
Inventories	0	8,286	8,286
Capital assets, net of accumulated depreciation(Note 5)	1,477,027	49,828	1,526,855
Total Assets	8,642,193	60,630	8,702,823
Liabilities			
Accounts payable	45,353	20	45,373
Salaries and benefits payable	479,375	0	479,375
Accrued interest payable	7,922	0	7,922
ISCAP warrants payable(Note 4)	2,671,000	0	2,671,000
ISCAP accrued interest payable(Note 4)	83,924	0	83,924
ISCAP unamortized premium	14,722	0	14,722
Deferred revenue:			
Succeeding year property tax	2,478,523	0	2,478,523
Unearned revenue	0	573	573
Long-term liabilities(Note 6):			
Portion due within one year:			
Capital loan notes payable	40,000	0	40,000
Revenue bonds payable	130,000	0	130,000
Early retirement payable	39,909	0	39,909
Portion due after one year:			
Capital loan notes payable	175,000	0	175,000
Revenue bonds payable	285,000	0	285,000
Total Liabilities	6,450,728	593	6,451,321
Net Assets			
Invested in capital assets, net of related debt	847,027	49,828	896,855
Restricted for:			
Debt service	246,431	0	246,431
Talented and gifted	48,992	0	48,992
Salary improvement program	1,389	0	1,389
Professional development	1,076	0	1,076
Additional teacher contract day	171	0	171
Market factor	5,112	0	5,112
Beginning administrator mentoring program	1,500	0	1,500
Capital projects	660,815	0	660,815
Management levy	15,172	0	15,172
Physical plant and equipment levy	213,708	0	213,708
Other special revenue purposes	20,053	0	20,053
Unrestricted	130,019	10,209	140,228
Total Net Assets	\$ 2,191,465	60,037	2,251,502

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,614,177	153,885	398,546	(2,061,746)	0
Special instruction	928,939	62,887	180,392	(685,660)	0
Other instruction	570,472	181,319	12,515	(376,638)	0
	4,113,588	398,091	591,453	(3,124,044)	0
Support services:					
Student services	141,439	0	3,679	(137,760)	0
Instructional staff services	99,488	0	1,146	(98,342)	0
Administration services	858,230	0	0	(858,230)	0
Operation and maintenance of plant services	556,645	0	0	(556,645)	0
Transportation services	213,821	163	0	(213,658)	0
	1,869,623	163	4,825	(1,864,635)	0
Non-instructional programs	9,142	13,939	0	4,797	0
Other expenditures:					
Long-term debt interest	37,737	0	0	(37,737)	0
AEA flowthrough	225,407	0	225,407	0	0
Depreciation (unallocated)*	105,924	0	0	(105,924)	0
	369,068	0	225,407	(143,661)	0
Total governmental activities	6,361,421	412,193	821,685	(5,127,543)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	288,317	109,549	151,011	0	(27,757)
Total	\$ 6,649,738	521,742	972,696	(5,127,543)	(27,757)
General Revenues:					
Property tax levied for:					
General purposes				\$ 2,275,065	0
Capital outlay				121,561	0
Income surtax				113,089	0
Local option sales and services tax				397,958	0
Unrestricted state grants				2,728,811	0
Unrestricted investment earnings				187,437	6,323
Other general revenues				26,731	0
Total general revenues				5,850,652	6,323
Changes in net assets				723,109	(21,434)
Net assets beginning of year				1,468,356	81,471
Net assets end of year				\$ 2,191,465	60,037

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,665,601	0	0	2,665,601
Other	578,691	512,804	494,025	1,585,520
Receivables:				
Property tax:				
Delinquent	33,820	0	4,744	38,564
Succeeding year	2,062,916	0	415,607	2,478,523
Income surtax	43,125	0	43,125	86,250
Accounts	594	0	4,319	4,913
Accrued interest - ISCAP(Note 4)	97,862	0	0	97,862
Due from other governments	59,922	148,011	0	207,933
Total Assets	\$ 5,542,531	660,815	961,820	7,165,166
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,413	0	10,940	45,353
Salaries and benefits payable	479,375	0	0	479,375
ISCAP warrants payable(Note 4)	2,671,000	0	0	2,671,000
ISCAP accrued interest payable(Note 4)	83,924	0	0	83,924
ISCAP unamortized premium	14,722	0	0	14,722
Deferred revenue:				
Succeeding year property tax	2,062,916	0	415,607	2,478,523
Income surtax	43,125	0	43,125	86,250
Total liabilities	5,389,475	0	469,672	5,859,147
Fund balances:				
Reserved for:				
Debt service	0	0	246,431	246,431
Talented and gifted	48,992	0	0	48,992
Salary improvement program	1,389	0	0	1,389
Professional development	1,076	0	0	1,076
Additional teacher contract day	171	0	0	171
Market factor	5,112	0	0	5,112
Beginning administrator mentoring program	1,500	0	0	1,500
Designated wellness fund balance	2,734	0	0	2,734
Unreserved	92,082	660,815	245,717	998,614
Total fund balances	153,056	660,815	492,148	1,306,019
Total Liabilities and Fund Balances	\$ 5,542,531	660,815	961,820	7,165,166

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 1,306,019
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,477,027
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	86,250
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,922)
Long-term liabilities, including capital loan notes payable, revenue bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(669,909)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,191,465</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,116,063	296,182	402,537	2,814,782
Tuition	216,278	0	0	216,278
Other	224,935	16,928	192,773	434,636
State sources	3,258,223	101,776	11	3,360,010
Federal sources	267,709	0	0	267,709
Total revenues	6,083,208	414,886	595,321	7,093,415
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,555,625	0	46,765	2,602,390
Special instruction	928,939	0	0	928,939
Other instruction	393,916	0	179,405	573,321
	3,878,480	0	226,170	4,104,650
Support services:				
Student services	138,931	0	0	138,931
Instructional staff services	97,840	0	0	97,840
Administration services	789,902	0	67,749	857,651
Operation and maintenance of plant services	520,374	58,950	30,713	610,037
Student transportation services	185,799	0	0	185,799
	1,732,846	58,950	98,462	1,890,258
Non-instructional programs:				
Other enterprise operations	53	0	0	53
Community service and education operations	9,089	0	0	9,089
	9,142	0	0	9,142
Other expenditures:				
Facilities acquisition	0	34,898	66,751	101,649
Long-term debt:				
Principal	0	0	160,000	160,000
Interest	0	0	39,353	39,353
AEA flowthrough	225,407	0	0	225,407
	225,407	34,898	266,104	526,409
Total expenditures	5,845,875	93,848	590,736	6,530,459
Excess of revenues over expenditures	237,333	321,038	4,585	562,956
Other financing sources(uses):				
Transfers in	0	269,100	344,331	613,431
Transfers out	0	(297,191)	(316,240)	(613,431)
Total other financing sources(uses)	0	(28,091)	28,091	0
Net change in fund balances	237,333	292,947	32,676	562,956
Fund balance beginning of year	(84,277)	367,868	459,472	743,063
Fund balance end of year	\$ 153,056	660,815	492,148	1,306,019

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 562,956

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 176,445	
Depreciation expense	<u>(165,027)</u>	11,418

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(8,885)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		160,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,616
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early Retirement		<u>(3,996)</u>

Changes in net assets of governmental activities (page 14)		<u>\$ 723,109</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition
Assets	
Cash and cash equivalents:	\$ 2,516
Inventories	8,286
Capital assets, net of accumulated depreciation(Note 5)	49,828
Total Assets	<u>60,630</u>
Liabilities	
Accounts payable	20
Unearned revenues	573
Total Liabilities	<u>593</u>
Net Assets	
Invested in capital assets, net of related debt	49,828
Unrestricted	10,209
Total Net Assets	<u>\$ 60,037</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 109,549
TOTAL OPERATING REVENUES	<u>109,549</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	103,717
Benefits	19,245
Services	2,607
Supplies	156,071
Other	32
Depreciation	5,395
TOTAL OPERATING EXPENSES	<u>287,067</u>
OPERATING LOSS	<u>(177,518)</u>
NON-OPERATING REVENUES (EXPENSES) :	
State sources	3,989
Federal sources	147,022
Loss on disposal of capital assets	(1,250)
Interest income	6,323
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>156,084</u>
Change in net assets	(21,434)
Net assets beginning of year	<u>81,471</u>
Net assets end of year	<u>\$ 60,037</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 109,162
Cash received from miscellaneous operating activities	960
Cash payments to employees for services	(122,962)
Cash payments to suppliers for goods or services	(144,832)
Net cash used in operating activities	<u>(157,672)</u>
Cash flows from non-capital financing activities:	
State grants received	3,989
Federal grants received	130,853
Net cash provided by non-capital financing activities	<u>134,842</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(27,488)
Net cash used in capital financing activities	<u>(27,488)</u>
Cash flows from investing activities:	
Interest on investments	6,323
Net cash provided by investing activities	<u>6,323</u>
Net decrease in cash and cash equivalents	(43,995)
Cash and cash equivalents at beginning of year	<u>46,511</u>
Cash and cash equivalents at end of year	<u>\$ 2,516</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (177,518)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,169
Depreciation	5,395
Increase in inventories	(2,311)
Increase in accounts payable	20
Increase in unearned revenue	573
Net cash used in operating activities	<u>\$ (157,672)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 2,516</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$16,169.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Monona Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Monona Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 28,899</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as

operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 297,191
Capital Projects	Debt Service	269,100
Debt Service	Special Revenue, Physical Plant and Equipment Levy	47,140
Total		<u>\$ 613,431</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	70,176	0	60,307
2006-07B	1/26/07	1/25/08	1,211,902	27,251	1,215,000	23,247
2007-08A	6/28/07	6/27/08	1,453,699	435	1,456,000	370
Total			<u>\$ 2,665,601</u>	<u>97,862</u>	<u>2,671,000</u>	<u>83,924</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is

outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	350,000	350,000	0
2006-07B	0	100,000	100,000	0
Total	\$ 0	450,000	450,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,549	0	0	92,549
Construction in progress	14,367	15,790	30,157	0
Total capital assets not being depreciated	106,916	15,790	30,157	92,549
Capital assets being depreciated:				
Buildings	2,708,074	53,519	23,362	2,738,231
Land improvements	799,928	0	8,342	791,586
Machinery and equipment	1,779,696	137,293	895,644	1,021,345
Total capital assets being depreciated	5,287,698	190,812	927,348	4,551,162
Less accumulated depreciation for:				
Buildings	1,642,172	71,086	23,362	1,689,896
Land improvements	674,309	34,838	8,342	700,805
Machinery and equipment	1,612,524	59,103	895,644	775,983
Total accumulated depreciation	3,929,005	165,027	927,348	3,166,684
Total capital assets being depreciated, net	1,358,693	25,785	0	1,384,478
Governmental activities capital assets, net	\$ 1,465,609	41,575	30,157	1,477,027

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 70,070	166,146	6,700	229,516
Less accumulated depreciation	41,085	144,053	5,450	179,688
Business-type activities capital assets, net	<u>\$ 28,985</u>	<u>22,093</u>	<u>1,250</u>	<u>49,828</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,265
Other	390

Support services:

Support staff	2,508
Instructional support	1,648
Administration	579
Operation and maintenance of plant	16,691
Transportation	28,022

Unallocated depreciation	<u>59,103</u>
	<u>105,924</u>

Total governmental activities depreciation expense	<u>\$ 165,027</u>
--	-------------------

Business-type activities:

Food service operations	\$ 5,395
Total business-type activities depreciation expense	<u>\$ 5,395</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 250,000	0	35,000	215,000	4,000
Revenue Bonds	540,000	0	125,000	415,000	130,000
Early Retirement	35,913	39,909	35,913	39,909	39,909
Total	<u>\$ 825,913</u>	<u>39,909</u>	<u>195,913</u>	<u>669,909</u>	<u>173,909</u>

Capital Loan Notes Payable

Details of the District's June 30, 2007 capital loan notes indebtedness are as follows:

Year Ending June 30,	Loan Issue of May 1, 2001			
	Interest Rate	Principal	Interest	Total
2008	4.55 %	\$ 40,000	10,205	50,205
2009	4.65	40,000	8,385	48,385
2010	4.75	45,000	6,525	51,525
2011	4.80	45,000	4,388	49,388
2012	4.95	45,000	2,227	47,227
Total		\$ 215,000	31,730	246,730

Revenue Bonds Payable

Details of the District's June 30, 2007 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2000			
	Interest Rate	Principal	Interest	Total
2008	5.75 %	\$ 130,000	20,125	150,125
2009	5.75	140,000	12,362	152,362
2010	5.75	145,000	4,169	149,169
Total		\$ 415,000	36,656	451,656

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$104,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on various percentages of their current employment contract depending on the age of the retiree at the end of the year. Early retirement benefits paid during the year ended June 30, 2007, totaled \$35,913. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$204,199, \$190,067 and \$181,083, respectively, equal to the required contributions for each year.

(8) Risk Management

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$519,809.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of

coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$225,407 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,465,696	115,872	3,581,568	3,390,203	3,390,203	191,365
State sources	3,360,010	3,989	3,363,999	3,211,508	3,211,508	152,491
Federal sources	267,709	147,022	414,731	434,000	434,000	(19,269)
Total revenues	<u>7,093,415</u>	<u>266,883</u>	<u>7,360,298</u>	<u>7,035,711</u>	<u>7,035,711</u>	<u>324,587</u>
Expenditures:						
Instruction	4,104,650	0	4,104,650	4,425,196	4,425,196	320,546
Support services	1,890,258	0	1,890,258	2,032,000	2,032,000	141,742
Non-instructional programs	9,142	288,317	297,459	345,862	345,862	48,403
Other expenditures	526,409	0	526,409	1,167,815	1,167,815	641,406
Total expenditures	<u>6,530,459</u>	<u>288,317</u>	<u>6,818,776</u>	<u>7,970,873</u>	<u>7,970,873</u>	<u>1,152,097</u>
Excess(deficiency) of revenues over(under) expenditures	562,956	(21,434)	541,522	(935,162)	(935,162)	1,476,684
Other financing sources, net	<u>0</u>	<u>0</u>	<u>0</u>	<u>100</u>	<u>100</u>	<u>(100)</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	562,956	(21,434)	541,522	(935,062)	(935,062)	1,476,584
Balance beginning of year	<u>743,063</u>	<u>81,471</u>	<u>824,534</u>	<u>1,070,460</u>	<u>1,070,460</u>	<u>(245,926)</u>
Balance end of year	<u>\$ 1,306,019</u>	<u>60,037</u>	<u>1,366,056</u>	<u>135,398</u>	<u>135,398</u>	<u>1,230,658</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 49,105	19,287	179,202	247,594	246,431	494,025
Receivables:						
Property tax:						
Current year delinquent	2,542	0	2,202	4,744	0	4,744
Succeeding year	145,000	0	120,482	265,482	150,125	415,607
Income surtax	0	0	43,125	43,125	0	43,125
Accounts	3,434	885	0	4,319	0	4,319
Total Assets	\$ 200,081	20,172	345,011	565,264	396,556	961,820
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	119	10,821	10,940	0	10,940
Deferred revenue:						
Succeeding year property tax	145,000	0	120,482	265,482	150,125	415,607
Income surtax	0	0	43,125	43,125	0	43,125
Total liabilities	145,000	119	174,428	319,547	150,125	469,672
Fund balances:						
Reserved for debt service	0	0	0	0	246,431	246,431
Unreserved fund balance	55,081	20,053	170,583	245,717	0	245,717
Total fund balances	55,081	20,053	170,583	245,717	246,431	492,148
Total Liabilities and Fund Balances	\$ 200,081	20,172	345,011	565,264	396,556	961,820

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Physical Plant Levy Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 159,002	0	243,535	402,537	402,537
Other	3,405	174,701	3,891	181,997	192,773
State sources	1	0	10	11	11
TOTAL REVENUES	162,408	174,701	247,436	584,545	595,321
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	46,412	0	353	46,765	46,765
Other instruction	0	179,405	0	179,405	179,405
Support services:					
Administration services	65,849	0	0	65,849	67,749
Operation and maintenance of plant services	29,985	0	728	30,713	30,713
Other expenditures:					
Facilities acquisition	0	0	66,751	66,751	66,751
Long-term debt:					
Principal	0	0	0	0	160,000
Interest	0	0	0	0	39,353
TOTAL EXPENDITURES	142,246	179,405	67,832	389,483	590,736
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	20,162	(4,704)	179,604	195,062	(190,477)
OTHER FINANCING SOURCES(USES):					
Transfer in	0	0	0	0	344,331
Transfer out	0	0	(47,140)	(47,140)	(269,100)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(47,140)	(47,140)	75,231
Net change in fund balances	20,162	(4,704)	132,464	147,922	(115,246)
Fund balances beginning of year	34,919	24,757	38,119	97,795	361,677
Fund balances end of year	\$ 55,081	20,053	170,583	245,717	246,431

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 1,340	723	836	1,227
Fall play	(90)	90	0	0
Vocal	3,381	5,446	4,936	3,891
Vocal trip	451	46,629	46,328	752
Instrumental	927	200	208	919
Band Uniform	1,707	0	211	1,496
Boys Basketball Camp	256	0	0	256
Girls Basketball Camp	2,711	2,213	4,518	406
General Athletics	1,617	2,728	3,113	1,232
Basketball	994	6,474	4,416	3,052
Track	(1,078)	2,396	2,286	(968)
Cross County	695	733	609	819
Golf	(1,484)	0	1,468	(2,952)
Football	(176)	9,241	8,047	1,018
Basball Camp	(225)	0	0	(225)
Baseball	(1,093)	2,279	3,698	(2,512)
Wrestling	3,392	1,167	2,139	2,420
Volleyball	316	3,066	2,946	436
Volleyball Club	0	81	77	4
Softball	1,267	2,455	2,669	1,053
Softball Camp	0	15	0	15
General Class	(150)	150	0	0
Class of 2004	274	0	274	0
Class of 2005	116	0	116	0
Class of 2006	134	0	134	0
Class of 2007	5,594	28,440	33,594	440
Class of 2008	0	14,592	10,183	4,409
Pep Club	152	32	100	84
HS Student Council	2,643	1,033	1,700	1,976
MS Student Council	662	190	189	663
Spanish Club	278	0	278	0
MS Community Service	0	352	352	0
Science Club	596	1,139	888	847
Art Club	870	824	1,080	614
Dance Team	1,042	3,096	3,334	804
Cheerleaders	(110)	1,160	916	134
BB Cheerleaders	0	570	180	390
FB Cheerleaders	0	476	270	206
WR Cheerleaders	0	248	206	42
Yearbook	(15,601)	5,430	5,225	(15,396)
FCCLA	1,999	1,968	2,764	1,203
Interest	2,109	1,945	3,822	232
Raffle Tax	188	0	0	188
Pop/Juice	3,074	17,820	13,064	7,830
Industrial Arts	114	0	0	114
Football Camp	881	2,095	3,029	(53)
Wrestling Club	749	0	0	749
Softball Camp	182	240	0	422
Weightlifting Club	3,717	1,214	4,115	816
HS Reward Trips	260	970	730	500
MS Reward Trips	76	4,781	4,357	500
Total	\$ 24,757	174,701	179,405	20,053

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,814,782	2,365,190	2,064,037	2,087,616
Tuition	216,278	198,350	191,256	254,964
Other	434,636	286,709	305,143	137,331
Intermediate sources	0	0	6,510	0
State sources	3,360,010	3,353,141	3,177,181	3,012,213
Federal sources	267,709	262,205	287,310	225,846
Total	<u>\$ 7,093,415</u>	<u>6,465,595</u>	<u>6,031,437</u>	<u>5,717,970</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,602,390	2,336,293	2,229,304	1,938,166
Special instruction	928,939	1,103,664	815,682	962,651
Other instruction	573,321	391,394	406,183	371,246
Support services:				
Student services	138,931	158,054	147,026	202,449
Instructional staff services	97,840	115,974	82,558	92,142
Administration services	857,651	845,949	709,071	730,528
Operation and maintenance of plant services	610,037	743,790	645,090	574,575
Transportation services	185,799	310,363	220,778	252,215
Non-instructional programs	9,142	10,199	12,046	8,031
Other expenditures:				
Facilities acquisitions	101,649	60,255	71,774	40,659
Long-term debt:				
Principal	160,000	150,000	145,000	146,168
Interest	39,353	48,075	58,890	67,320
AEA flow-through	225,407	219,765	210,935	208,975
Total	<u>\$ 6,530,459</u>	<u>6,493,775</u>	<u>5,754,337</u>	<u>5,595,125</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Monona Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Monona Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Monona Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Monona Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Monona Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Monona Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Monona Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

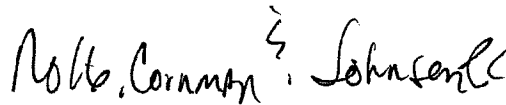
As part of obtaining reasonable assurance about whether West Monona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Monona Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Monona Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Monona Community School District and other parties to whom West Monona Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Monona Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2008

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity and Nutrition Funds, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-07 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

Response - Interest in the Student Activity Fund will be allocated at the end of the fiscal year to the individual accounts that earned the interest.

Conclusion - Response accepted.

- I-C-07 Drug Free Grant - We noted during our audit that the Drug Free Grant general ledger expenditures were not used to file the quarterly reports to the State. The final quarterly report for the Drug Free Grant appeared to have not been filed timely.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The Drug Free Grant quarterly reports file with the State need to be reconciled to the general ledger. The Drug Free Grant quarterly reports need to be filed timely. This will improve posting of accounts receivable at year end and timely collections of revenues from the State of Iowa during the year.

Response - We will review coding for the Drug Free Schools grant and file quarterly reports timely in the future.

Conclusion - Response accepted.

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.